

FIRST AFFIRMATIVE DEFENSE

Defendant has failed to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

Defendant is specifically barred from seeking a declaratory judgment action against Reliance Insurance Company by the October 3, 2001 Order of Liquidation. See a true and correct copy of the October 3, 2001 Order of Liquidation attached as Exhibit "A" to the Complaint at ¶ 22.

THIRD AFFIRMATIVE DEFENSE

Plaintiff reserves the right to assert any additional Affirmative Defenses that may arise during the course of discovery.

WHEREFORE, Plaintiff demands judgment in her favor and against Defendant Paula Financial dismissing the Counterclaim with prejudice and for other such further relief as the Court deems just and appropriate.

By: /s/ Sheldon K. Rennie
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Dated: March 15, 2007

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

M. DIANE KOKEN, in her official capacity :
as Insurance Commissioner of the Commonwealth :
of Pennsylvania, as Liquidator of RELIANCE :
INSURANCE COMPANY (IN LIQUIDATION), :

Plaintiff, :

v. :

CIVIL ACTION NO. 07-48

PAULA FINANCIAL, :

Defendant. :

CERTIFICATE OF SERVICE

I, Sheldon K. Rennie, Esquire, hereby certify that on this 15th day of March, 2007, I served a true and correct copy of the ***Plaintiff's Reply and Affirmative Defenses to Defendant's Counterclaim***, on the following *via* filing electronically with the Clerk of Court using CM/ECF which will send notification of such filing(s) to the following and which has also been served as noted:

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